

# Neighborhood Stabilization Program Application

## City of Columbus 2008 Action Plan Amendment

Jurisdiction(s): Columbus, Ohio	NSP Contact Person: Philip Carter
Jurisdiction Web Address: www.columbus.gov	Address: 90 West Broad Street Columbus, Ohio 43215
	Telephone: 614-645-7492
	Fax: 614-645-7139
	Email: pdcarter@columbus.gov

As a result of the Housing and Economic Recovery Act of 2008, the U.S Department of Housing and Urban Development (HUD), is allocating \$3.92 billion nationally to particularly hard-hit areas trying to respond to the effects of high foreclosures. HUD's new Neighborhood Stabilization Program (NSP) will provide targeted emergency assistance to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight.

The City of Columbus (city) was awarded \$22,845,495 of NSP funds from HUD. This funding is provided through HUD's Community Development Block Grant (CDBG) program. On November 7, 2008, the city will begin a 15 day public comment period on this proposed NSP plan and will accept public comments through November 22, 2008. Columbus City Council will hold a public hearing on the proposed plan November 19, 2008 at 5:30 in the City Council Chambers. The city will submit the NSP application to HUD by December 1, 2008. The city's NSP application and plan will be an amendment to the Consolidated Plan's 2008 Action Plan.

The remainder of this application contains responses to HUD's application format (in italics) followed by the City's responses.

### **A. AREAS OF GREATEST NEED**

*Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.*

*HUD has developed a foreclosure and abandonment risk score to assist grantees in targeting the areas of greatest need within their jurisdictions. Grantees may wish to consult this data, in developing this section of the Substantial Amendment.*

#### **City of Columbus Response:**

**Summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.**

In the analysis of data related to the Neighborhood Stabilization Program (NSP) application, the City of Columbus (Columbus) examined data published by HUD under

the NSP program and data provided at the local level by Columbus Staff and other local entities. As required under Section 2301(c)(2) of the Housing and Economic Recovery Act (HERA), the data is focused on three areas: 1. areas with the greatest percentage of home foreclosures, 2. areas with the highest percentage of homes financed by a sub-prime mortgage related loan, and 3. areas identified as likely to face a significant rise in the rate of home foreclosures. The data suggests a consistent pattern of areas most affected by foreclosures and the amount of vacant housing.

### **HUD Data**

HUD provided each jurisdiction receiving a NSP allocation data to suggest which areas currently experience foreclosure related problems and areas that may experience foreclosure related problems in the future. Each dataset is based either at the Census Block Group or Census Tract level and draws upon data from several sources that are used to predict whether or not a neighborhood has a high or low risk for foreclosed and abandoned homes. **Map One** illustrates which Census Block Groups within the City of Columbus scored the highest (worst) risk score for foreclosure and abandonment—a score of 10 on a scale between 1 and 10. **Map Two** shows which Census Block Groups within the City of Columbus have a high predicted “underlying problem foreclosure rate” based on data from the previous 18 months. The data sources used to compute the risk scores for each of these two maps are the same data sources used by HUD to determine allocations to each jurisdiction. Census Block Groups with 51% or more of the population with 120% or less Area Median Income are shown on **Map Three**.

### **Local Data**

A local non-profit research center, Community Research Partners (CRP) has performed extensive research on foreclosure filings and properties sold at the Franklin County Sheriff’s Sale within the City of Columbus. **Map Four** illustrates those areas within the City with the greatest numbers of foreclosure filings per square mile, between January 2007 and March, 2008. A measurement of density (as opposed to percentage) highlights areas with a mass of properties under foreclosure. **Map Five** highlights areas with the greatest density of properties subject to Sheriff’s Sale between January, 2005 and March, 2008. The Areas with the highest density of mortgages with high interest rates are shown on **Map Six** (data originates from Real Quest June, 2008).

The City of Columbus Department of Development tracks properties with vacant structures. As of October, 2008 the Vacant Housing list contains over 4,600 residential properties, excluding those that are momentarily vacant (for sale, for rent, etc.). Typically, these properties have been vacant for more than 6 months.

### **Conclusions**

The above described maps illustrate a large number of foreclosures and vacant structures in the center city neighborhoods around downtown. **Map Seven** combines the two HUD Datasets and the City Vacant Housing List. The areas colored brown represent those with a “foreclosure and abandonment” risk score of 10 and an “underlying problem foreclosure rate” of 12.05%, the 75th percentile for the City. The map contains points representing vacant structures, generally suggesting a strong relationship between these three datasets. This data highlights the areas of Columbus in which the City will focus

the majority of its NSP resources. The city will undertake additional research on this data and complete a market analysis to determine what eligible activities are best suited for each area.

## ***B. DISTRIBUTION AND USES OF FUNDS***

*Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. **Note:** The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.*

### **City of Columbus Response:**

Foreclosed and vacant properties exist throughout the City, with pockets of abandoned and vacant properties affecting most Columbus neighborhoods—even neighborhoods that are otherwise stable. In fact, many areas outside the ones identified on Map 7, have high “abandonment and foreclosure” risk scores and many vacant properties. For this reason, the City will utilize its Land Banking efforts, such as demolition, property maintenance, and select acquisition, in an extended area. Map Three illustrates census block groups that qualify for NSP assisted Land Banking efforts. Although most Land Banking efforts will be focused on the areas of greatest need, the City anticipates some of these activities to occur throughout qualifying areas of the City, as defined in Map 3.

In general, the data examined by City Staff exhibits a concentrated pattern of home foreclosures, Sheriff Sales, and subprime mortgages in the neighborhoods around downtown Columbus and surrounding areas. These areas also contain a high number of structures on the City's Vacant Structures list. This is not to say vacant and foreclosed properties are confined strictly to these areas, but rather these areas have the highest concentration of foreclosures, vacant properties, mortgages with high interest rates, and evidence of this trend to continue (high vacancy rate, high predicted underlying problem foreclosure rate). The majority of NSP funds will focus on these areas, such as those areas highlighted on Map Seven. These funds will be use for the acquisition of abandoned and foreclosed properties, demolition of blighted structures, and the rehabilitation and redevelopment of vacant properties. Fortunately, several dedicated not-for-profit organizations work to revitalize these areas and they, along with for profit development organizations, will help the City in these efforts. As the City prepares to distribute the NSP funds, it will study what types of activities should occur and where (such as identifying the areas are most suitable for homeownership projects), determine what other resources can be leveraged, and create a fair and open process by which the funds are distributed.

### ***C. DEFINITIONS AND DESCRIPTIONS***

*(1) Definition of “blighted structure” in context of state or local law.*

#### **City of Columbus Response:**

#### **Definition of “blighted structure” in the context of state or local law (building/housing code):**

In 2004, the City of Columbus updated the Columbus City Code (CCC) as a response to the increase of vacant structures (see Section 47 CCC link: <http://ordlink.com/codes/columbus/>). The update includes a set of definitions of structures deemed to constitute a public nuisance and establishes a process by which a structure is classified as a hazardous building. A building classified as hazardous is, by definition, both unoccupied and in substantial violation of one or more City codes related to building, housing, nuisance abatement, fire, health, etc. Once identified as hazardous, a notice is affixed to the building declaring the hazard and is noted as such in City records. For the purposes of NSP funded demolitions, any structure that is vacant and considered in violation of City building, health, housing, or nuisance abatement Codes will qualify as a “blighted structure” under the NSP rules and may be subject to demolition.

In addition, City Building Officials may declare a building unsafe for human habitation under State of Ohio and Columbus Building Codes and order the demolition of that building. In such cases, the City will be obligated to demolish the building or correct the Building Code Violation(s).

*(2) Definition of “affordable rents.” **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.*

#### **City of Columbus Response:**

#### **Definition of “affordable rents” for purposes of the NSP Program**

The City will use the HUD Income Guidelines for the Columbus MSA and rents will be capped at 30% of the 50% Area Median Income with allowance for utilities (HUD-52267 Metropolitan Housing Authority Section 8 utility allowances). The maximum allowable rent for each year will be based on the rents as established by HUD for that year.

*(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.*

#### **City of Columbus Response:**

#### **Continued affordability for NSP assisted housing**

The length of continued affordability will be governed by the rules as established by HUD for the HOME Investment Partnerships Program. Sites funded by the City will have both a mortgage and restrictive covenant with recapture requirement in the event that the term of affordability is not met. Recapture of any funds will be out of net

proceeds of sale. Continued affordability of homeownership properties will be assured based on the liens on the title of each home from the mortgage and restrictive covenant. Any change in ownership will require notification to the city because it is in the chain of title. Continued affordability of rental and short term lease-purchase properties will be documented with annual owner reports to the city indicating occupancy of each unit, the income of the occupants and the rents charged for each unit. The city will reserve the right to monitor the units during the affordability period.

*(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.*

**City of Columbus Response:**  
**Housing rehabilitation standards**

**Standards for All Projects**

All renovation work will be performed by City of Columbus Home Improvement Contractor (HIC) licensed contractors and licensed trade contractors.

All renovation work will comply with all City of Columbus, Ohio Building, CABO, OBOA current building and housing codes.

All lead work will be performed by State of Ohio licensed lead abatement contractors and all renovation work will be performed by certified lead safe workers.

All projects will use energy efficient and green material/products as specified in work specifications and will meet or exceed Energy Star and Enterprise Community Partners Green Communities mandatory criteria for substantial rehabilitation.

All projects will be in compliance with HUD Environmental Review Regulations found at 24 CFR Part 58.

All work standards will meet or exceed the City of Columbus's Performance Manual for housing rehabilitation programs.

All construction will be performed at the highest quality and in a timely fashion. All workmanship is covered under an 18 Month Building Industry of America Approved Warranty.

Final inspection, commissioning, energy audit and lead safe clearance will be conducted on every unit.

**Pre-development**  
**Preliminary Inspection**

An on-site preliminary inspection will be conducted to determine whether "gut-to-the-studs" is appropriate, and whether or not the unit is feasible for further pre-development work and renovation.

### **Structural Inspection**

To determine integrity of the structure, a licensed Structural Engineer will perform an inspection and provide a letter of opinion. This letter is stamped with the engineer's seal from the State of Ohio. The engineer's letter and architectural plans will be used in correlation to renovate the structure.

### **Sewer Inspection**

A sewer camera will be used to determine the status of the sewer and at that time a recommendation will be made for replacement or not.

### **Architectural Specifications**

Includes instructions for: fireproofing/rating, (per code as needed), specifications for bearing walls, structural reinforcement including new headers for windows and doors, applying modern building codes to floor systems (reinforcing floor joists with 2x8 or 2x10 as needed) and adding steel beams if a determination is made that the old balloon system is not able to support the new load during renovation (structural inspection input).

### **Pre-Renovation Standards**

#### **Construction Waste Management/Deconstruction Management**

Develop and implement a construction waste and deconstruction management plan to reduce the amount of material sent to the landfill and increase recycle/reuse

#### **Gut to Studs**

As determined in pre-inspection the property is to be completely gutted, allowing for lead, rodent and pest abatement. All bearing walls are marked. Structure is cleaned and all nails pulled from the studs. Property is to be cleared of all electrical wiring and fixtures, all plumbing lines and drains, and old HVAC systems. Property is then boarded up to code until renovation construction begins. If gut to studs is not appropriate, rehabilitation will be done based on work specifications noted below.

#### **Recycled Materials**

Conduct research of materials with a recycled content to use in projects and specify for each project as appropriate and feasible.

#### **Work Specifications**

All projects will have renovation work specifications used for bidding and construction management. Work specifications will be written to ensure building performance is achieved for energy efficiency, indoor air quality, and water management standards. In addition work specifications will incorporate additional green, renewable, healthy home, lead safe housing standards, visitability and accessibility features as appropriate and feasible, as well as meeting appropriate Columbus housing and building code.

### **Post Renovation Standards**

#### **Contractor Warranty**

All construction will be performed at the highest quality, in a timely fashion. All workmanship is covered under an 18 Months Building Industry of America Approved Warranty.

### **Commissioning/Green Certified**

Final inspection, commissioning, energy audit and lead safe clearance will be conducted on every unit. All units will meet or exceed Energy Star and Enterprise Community Partners Green Communities mandatory criteria.

### **Building Maintenance Manual**

Provide a manual that includes the following: a routine maintenance plan; instructions for all appliances, HVAC operation, water-system turnoffs, lighting equipment, paving materials and landscaping, pest control and other systems that are part of each occupancy unit; an occupancy turnover plan that describes the process of educating the tenant about proper use and maintenance of all building systems.

### **Occupant Manual**

Provide a guide (compact disc and/or printed) for homeowners and renters that explains the intent, benefits, use and maintenance of green building features and encourages additional green activities such as recycling, gardening and use of healthy cleaning materials, alternate measures for pest control, and purchase of green power.

### **Homeowner and New Resident Orientation**

Provide a walk-through and orientation to the homeowner or new resident using the Occupant Manual that reviews the building's green features, operations and maintenance along with neighborhood conveniences.

## ***D. LOW INCOME TARGETING***

*Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income. **Note:** At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 % of area median income.*

### **City of Columbus Response:**

**Estimated amount of funds for housing individuals or families at 50% or less of area median income (AMI).**

Based upon the award to Columbus of \$22,845,495, the minimum amount that must be dedicated to households at or below 50% of the AMI is **\$5,711,374** plus 25% of any program income. Columbus expects to exceed that amount.

## ***E. ACQUISITIONS & RELOCATION***

*Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income).*

*If so, include:*

- *The number of low- and moderate-income dwelling units—i.e., ≤ 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.*
- *The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., ≤ 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).*
- *The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 % of area median income.*

**City of Columbus Response:**

As shown on the proposed budget, the City of Columbus anticipates using the majority of the NSP funds to acquire, renovate, redevelop, and demolish foreclosed and abandoned properties. By focusing on areas of greatest need, it is likely that most properties acquired with NSP funds will be low- and moderate-income dwelling units. Based on the proposed budget, the City will acquire approximately **150** dwelling units. A total of **130** units will be demolished – some of the units acquired with NSP funds and some units already owned by the city’s land bank. It is presumed that the units demolished will all have previously been low and moderate income dwelling units. Additionally, the City anticipates the development of **111** dwelling units made available to low-, moderate-, and middle-income households with **75** of those units made available for households whose income does not exceed 50% AMI.

***F. PUBLIC COMMENT***

*Provide a summary of public comments received to the proposed NSP Substantial Amendment.*

**City of Columbus Response:**

Refer to Exhibit A, Summary of Public Comments

## **G. ACTIVITY #1 *NSP INFORMATION BY ACTIVITY***

(1) Activity Name: **NEIGHBORHOOD STABILIZATION FUND**

(2) Activity Type: NSP Eligible Uses – Activities B. and E.: CDBG Eligible-24 CFR 570.201 & 202; HUD Matrix - 14A, 14B, 14F, 14I and 12

(3) National Objective: LMMH and LMMC

(4) Projected Start Date: January 2009

(5) Projected End Date: July 2013

(6) Responsible Organization: City of Columbus, Department of Development 50 W. Gay St. Columbus, OH 43215; Director Boyce Safford III

(7) Location Description: Activities will be focused within the areas of greatest need as described in “A. **AREAS OF GREATEST NEED**” and Map 7.

(8) Activity Description:

**Gut to Studs Program:** A pre-inspection will determine whether residential structures acquired by the Land Bank with NSP funds are to be completely gutted. If deemed feasible and appropriate, the structure will be gutted allowing for lead, rodent and pest abatement. All bearing walls are marked. Structure is cleaned and all nails pulled from the studs. Property is to be cleared of all electrical wiring and fixtures, all plumbing lines and drains, and old HVAC systems. Property is then boarded up to code until renovation construction begins. If gut to studs is not appropriate, the property will be boarded to code until renovation can be done based on rehabilitation work specifications.

**Homeownership Opportunities Program:** provides construction and permanent financing (e.g. loans, grants, equity positions and soft second mortgages) for the rehabilitation or redevelopment of vacant, abandoned or foreclosed single family properties that have been acquired in designated NSP Areas of Greatest Need. Eligible activities include housing rehabilitation, new construction of residential housing, financial assistance to eligible homebuyers, short term (36 months or less) lease purchase housing and homebuyer counseling/education. This program will reduce the number of vacant, abandoned and foreclosed residential properties, increase the number of decent, safe and sanitary occupied residential properties, and increase the rate of homeownership in the City's designated NSP Areas of Greatest Need.

**Rental Opportunities Program:** provides construction and permanent financing (e.g. loans, grants and equity positions) for the rehabilitation or redevelopment of vacant, abandoned or foreclosed multi family properties that have been acquired in designated NSP Areas of Greatest Need. Eligible activities include housing rehabilitation and new construction of residential housing for eligible tenant households. This program will reduce the number of vacant, abandoned and foreclosed multi-family residential

properties and increase the number of available decent, safe and sanitary occupied residential properties in the City's designated NSP Areas of Greatest Need.

**Financing mechanisms** will include interest rates ranging from 0% to an interest rate not to exceed AFR (Applicable Federal Rate). Financing will include construction financing, loans, forgivable loans, equity positions and grants to be used for development and/or affordability gap financing. City of Columbus will provide financing to nonprofit and for profits developers to accomplish this activity. Households at 50% AMI may benefit from this activity, therefore counting toward the 25% statutory requirement. Contract services may include market analysis, homebuyer counseling, energy auditing, and training for contractors and other related services. Continued affordability will be governed by the rules as established by HUD for the HOME Investments Partnership Program. Sites funded by the City will have both a mortgage and restrictive covenant with recapture requirement in the event that the term of affordability is not met. Recapture of any funds will be out of net proceeds of sale.

I. Total Budget: (Include public and private components). The initial budget from NSP funds is \$6,586,047. Private components are not included, presuming a worst-case scenario although private funding from the sale of homeownership and rental units is anticipated as program income. A best case scenario would include leveraging private funds on a 2:1 or 3:1 basis resulting in an additional \$13,455,824 to \$20,183,736 of funding for the effort.

J. Performance Measures: Initial performance measures for use of the funds prior to generation of program income is a total of 70 units. Seventy units will be gutted to the studs. Thirty six (36) units will be redeveloped either by new construction or substantial rehabilitation. A limited number of units will be able to be rehabilitated with limited cost due to condition at acquisition. All units will be affordable to households at or below 120% AMI with an estimate that no units will be affordable to households at or below 50% AMI, 16 units will be affordable to households at or below 80% AMI and 20 units will be affordable to households at or below 120% AMI.

**G. ACTIVITY #2 NSP INFORMATION BY ACTIVITY**

(1) Activity Name: **ACQUISITION AND DEMOLITION FUND**

(2) Activity Type: NSP Eligible Uses – Activity C & D.: CDBG Eligible - 24 CFR 570.201(a) & (b) & (d); HUD Matrix – 14G and 01, and 02

(3) National Objective: LMMA

(4) Projected Start Date: January 2009

(5) Projected End Date: July 2013

(6) Responsible Organization: City of Columbus, Department of Development 50 W. Gay St. Columbus, OH 43215; Director Boyce Safford III

(7) Location Description: Activities will be focused within the areas of greatest need as described in “A. **AREAS OF GREATEST NEED**” with eligible acquisitions in areas noted on Map 3 with as much emphasis as possible in areas noted on Map 7.

(8) Activity Description:

The City of Columbus Land Redevelopment Office (Land Bank) will coordinate the acquisition of property with funds provided by NSP and utilize a three-part strategy within the Areas of Greatest Need as described in Maps 3 and 7. First, the Land Bank will negotiate with those entities that hold large inventories of foreclosed properties including banks, HUD, Fannie Mae, etc. The Land Bank will focus on obtaining bulk purchases of these properties located within the areas identified with the greatest need. It is anticipated this strategy will result in the majority of the acquisition inventory and a large increase in the Columbus Land Bank holdings. However, this strategy may result in a supply of houses scattered throughout these areas. Some of these sites may be sold to nonprofit and for profit development organizations to redevelop without NSP funds. In addition to the bulk purchases, a second strategy will include acquisitions to complement the bulk purchases and gain properties in close proximity to each other, for focused redevelopment opportunities. The Land Bank will work with local community development organizations to accumulate an inventory suitable for neighborhood redevelopment projects. Third, the Land Bank will seek to acquire abandoned and blighted properties specifically for demolition.

A portion of the funds designated for this activity may be used to meet the low income requirement for those at 50% AMI and below.

HERA mandates acquisition of property at a discount from current market value. The Land Bank will coordinate appraisals of properties. The Land Bank will negotiate purchasing discounts and seek an average discount of at least 15% from the current market values. No property will be purchased for less than 5% of its market value.

The City of Columbus has the option of an average purchase discount of at least 10 percent if the City provides a methodology that results in a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds. The procedure is as follows:

1. Obtain a URA compliant appraisal of current market value.
2. Subtract assumed holding costs, consisting of:
  - a. Estimated Real Estate Taxes due for the next payment at a minimum of 6 months (RE taxes are billed twice a year, in January and June of each year for the prior 6 month period, the assumed discount will be estimated taxes for the subsequent 6-month period);
  - b. Estimated insurance cost incurred for 6 months;
  - c. Estimated maintenance and interim repair cost incurred for 6 months;
  - d. Estimated market value appreciation or depreciation for 6 months;
  - e. Estimated interest incurred for 6 months.
3. Subtract assumed seller/services costs, consisting of:
  - a. Third party/ administration costs for 6 months, including marketing, overhead;
  - b. Brokerage fee/cost of sale (if property is not obligated by a listing contract);

Contract services may include appraisals, engineering, demolition, maintenance, title search and other related services. The Columbus Land Bank currently manages several maintenance contracts for its existing inventory and will use NSP funds to expand those contracts to maintain foreclosed properties.

I. Total Budget: (Include public and private components) The initial budget from NSP funds is \$6,510,000. Private components are not anticipated as part of these efforts although private funding from the sale of parcels acquired is anticipated as program income.

J. Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent): Initial performance measures for the use of the funds prior to generation of program income is the acquisition of 150 units. A total of 130 units will be demolished, all of which are presumed to be low or moderate income units. The units demolished will be units acquired with NSP funds or units already held by the Columbus Land Bank.

### **G. ACTIVITY #3 *NSP INFORMATION BY ACTIVITY***

(1) Activity Name: **50%AMI FUND**

(2) Activity Type: NSP Eligible Uses – Activities B. and E.: CDBG Eligible-24 CFR 570.201 & 202; HUD Matrix - 14A, 14B, 14F, 14I and 12

(3) National Objective: LMMH

(4) Projected Start Date: January 2009

(5) Projected End Date: July 2013

(6) Responsible Organization: City of Columbus, Department of Development 50 W. Gay St. Columbus, OH 43215; Director Boyce Safford III

(7) Location Description: Activities will be focused within the areas of greatest need as described in “A. *AREAS OF GREATEST NEED*” and Map 7.

(8) Activity Description:

**Homeownership Opportunities Program**: provides financing (e.g. loans, grants, soft second mortgages) for the rehabilitation or redevelopment of vacant, abandoned or foreclosed single family properties that have been acquired in designated NSP Areas of Greatest Need. Eligible activities include housing rehabilitation, new construction of residential housing, financial assistance to eligible homebuyers and homebuyer counseling/education. This program will reduce the number of vacant, abandoned and foreclosed residential properties, increase the number of decent, safe and sanitary occupied residential properties, and increase the rate of homeownership in the City's designated NSP Areas of Greatest Need. Because of the low income population served, the city will make every effort to provide funds for this activity in instances in which additional subsidy is being leveraged from other sources including very low interest loans and other sources of development and affordability subsidy. An example of this kind of subsidy would be homeownership development done by Habitat for Humanity of Greater Columbus.

**Rental Opportunities Program**: provides financing (e.g. loans, grants and equity positions) for the rehabilitation or redevelopment of vacant, abandoned or foreclosed multi-family properties that have been acquired in designated NSP Areas of Greatest Need. Eligible activities include housing rehabilitation and new construction of residential housing for eligible tenant households. This program will reduce the number of vacant, abandoned and foreclosed multi-family residential properties and increase the number of available decent, safe and sanitary occupied residential properties in the City's designated NSP Areas of Greatest Need. In order to leverage funds for this effort, rental development entities will be encouraged to seek low income housing tax credits from the Ohio Housing Finance Agency. Recognizing the competitive nature of this resource, it will not be the only strategy employed.

**Financing mechanisms** will include interest rates ranging from 0% to an interest rate not to exceed AFR (Applicable Federal Rate). Financing will include construction financing, loans, forgivable loans, grants and equity positions to be used for development and/or affordability gap financing. City of Columbus will provide financing to nonprofit and for profit developers to accomplish the activity. Only households at 50% AMI will benefit from this activity, therefore counting toward the 25% statutory requirement. Continued affordability will be governed by the rules as established by HUD for the HOME Investment Partnerships Program. Sites funded by the City will have both a mortgage and restrictive covenant with recapture requirement in the event that the term of affordability is not met. Recapture of any funds will be out of net proceeds of sale.

I. Total Budget: \$5,800,000

J. Performance Measures

- a. 25 homeownership units (50% AMI and below)
- b. 50 rental units (50% AMI and below)

## **G. ACTIVITY #4 *NSP INFORMATION BY ACTIVITY***

(1) Activity Name: **ADMINISTRATION**

(2) Activity Type: NSP Eligible – Yes: CDBG Eligible- 24 CFR 570.201, 570.202, 570.205 and 206; HUD Matrix - 01, 02, 14H, 20, 21A

(3) National Objective: N/A

(4) Projected Start Date: January 2009

(5) Projected End Date: July 2013

(6) Responsible Organization: City of Columbus, Department of Development 50 W. Gay St. Columbus, OH 43215; Director Boyce Safford III

(7) Location Description: N/A

(8) Activity Description:

Department of Finance and Management, Grants Management - The Grants Management staff will assist in the administration of the Neighborhood Stabilization Program in a variety of financial and regulatory areas. Activities will include financial management, program monitoring, technical assistance, regulatory compliance, completion of required environmental reviews, loan servicing, prevailing wage compliance, project eligibility issues and the preparation of required federal reports. Major Components: Staff salaries, Advertising (publication of public notices), and Loan servicing costs (AmeriNational contract).

Department of Development Fiscal Office - The staff of the Development Fiscal Office will assist in the administration of the Neighborhood Stabilization Program in a variety of financial and regulatory areas. Activities will include financial management, and data entry in the DRGR (HUD's reporting system).

Department of Development Land Redevelopment Office (Land Bank) - Staff will coordinate the acquisition of property with funds provided by NSP and utilize a three-part strategy within the Areas of Greatest Need as described in Maps 3 and 7. The Neighborhood Services staff will assist the Land Redevelopment Office with environmental nuisance abatement activities.

Department of Development Housing Division - Staff will be developing financing mechanisms, processing applications and financing for housing development. Staff will also be providing construction management services to housing projects. A market analysis will be conducted through contracted services to determine what housing activities should be implemented in specific geographic areas within the identified Areas of Greatest Need.

I. Total Budget:

- a. Administration \$1,008,014
- b. Project Delivery – Staff Costs \$2,941,434

The amounts listed above represent costs for multiple years.

J. Performance Measures N/A

# Map 1

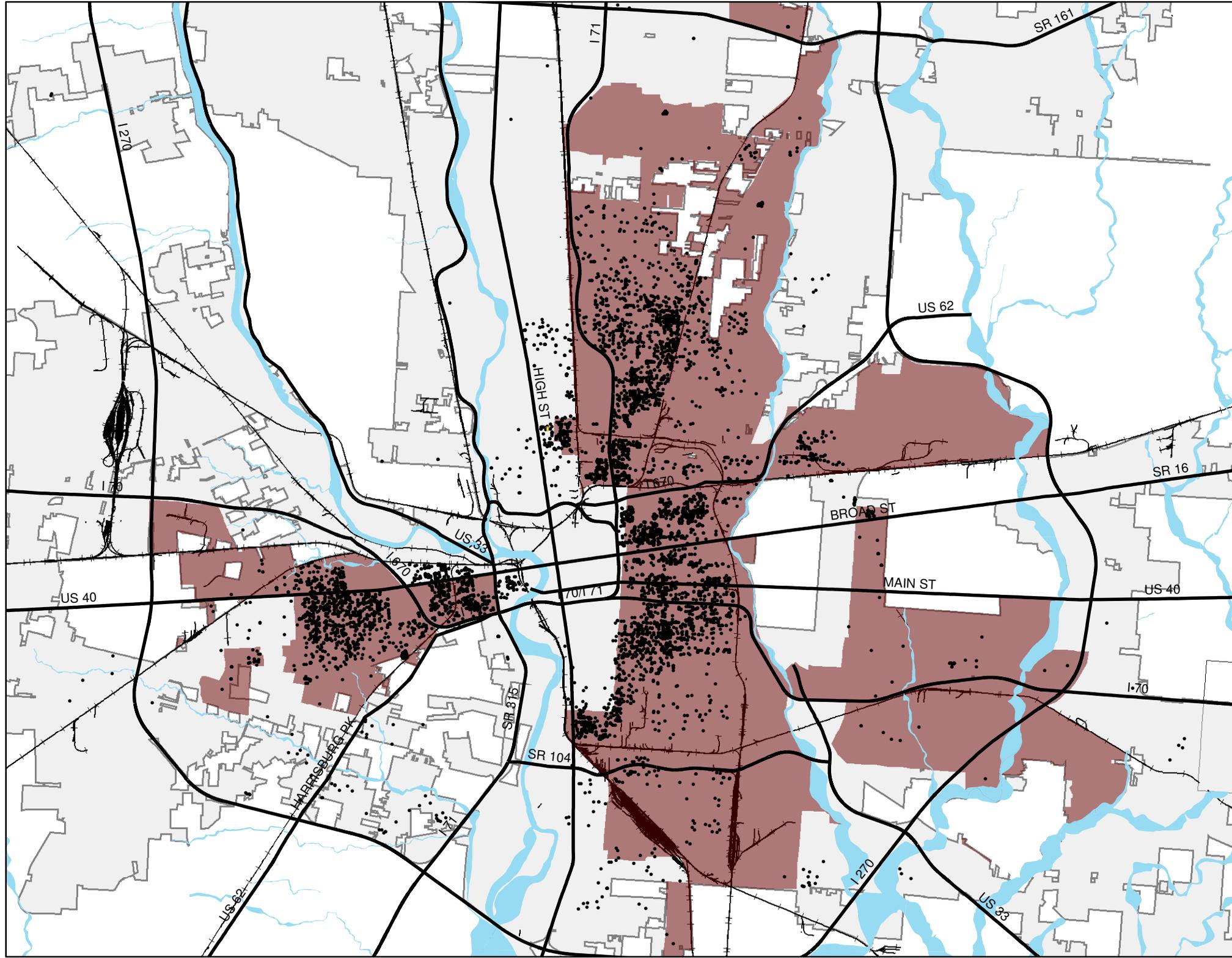
## Estimated Foreclosure and Abandonment Risk

### City of Columbus

HUD Foreclosure and Abandonment Risk, brown (a risk score of 10) are areas within the highest risk category.

Points represent structures on the Vacant Housing Application City of Columbus September, 2008.

Estimated Foreclosure and Abandonment Risk is a score of 1 to 10, where 10 indicates that the area is in the highest 10 percent of risk nationwide for foreclosure and abandonment based on the combination of HUD's foreclosure risk estimate and vacancy rate. 1 indicates the lowest risk.



November, 2008  
By J. Turner

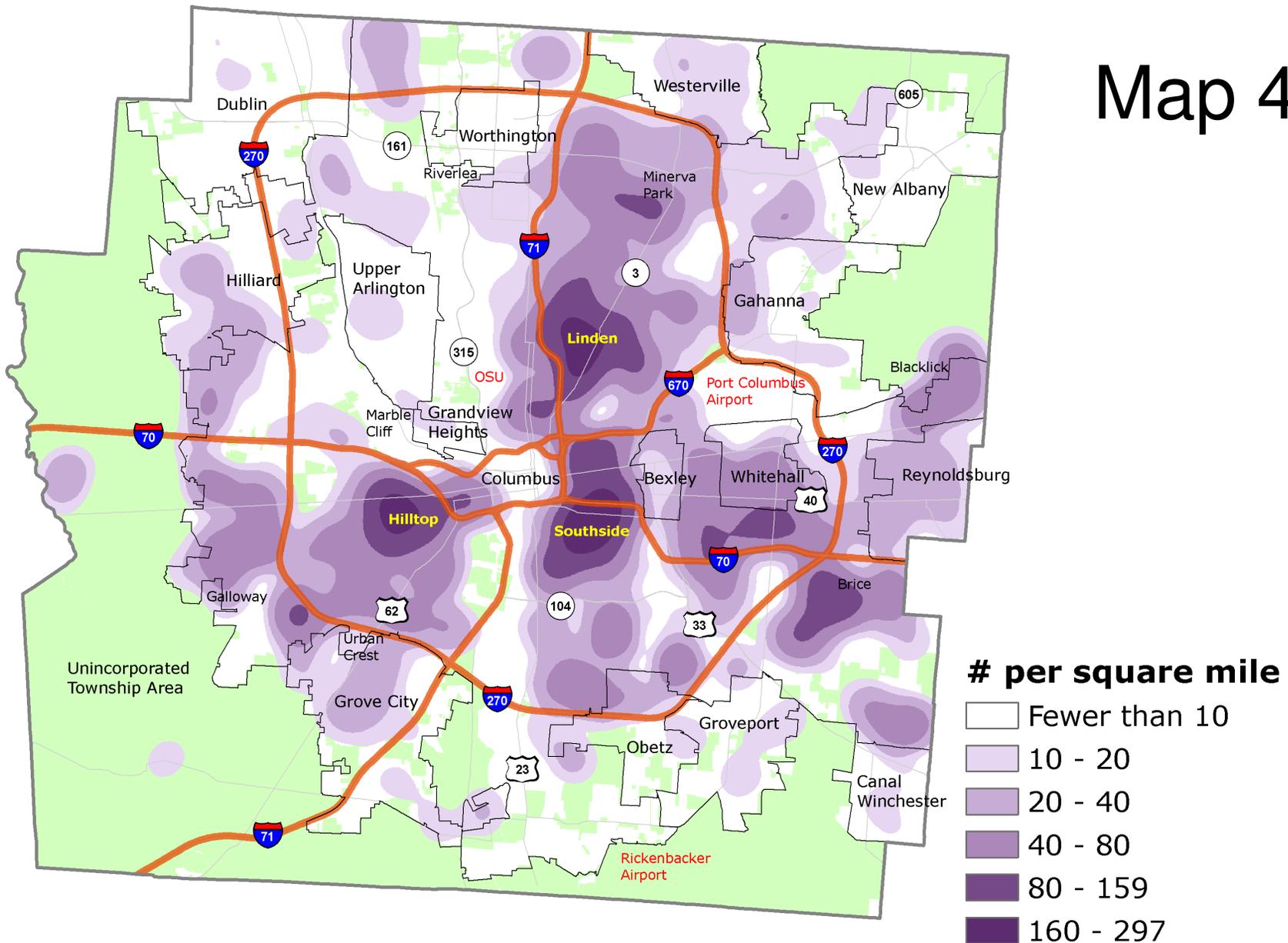






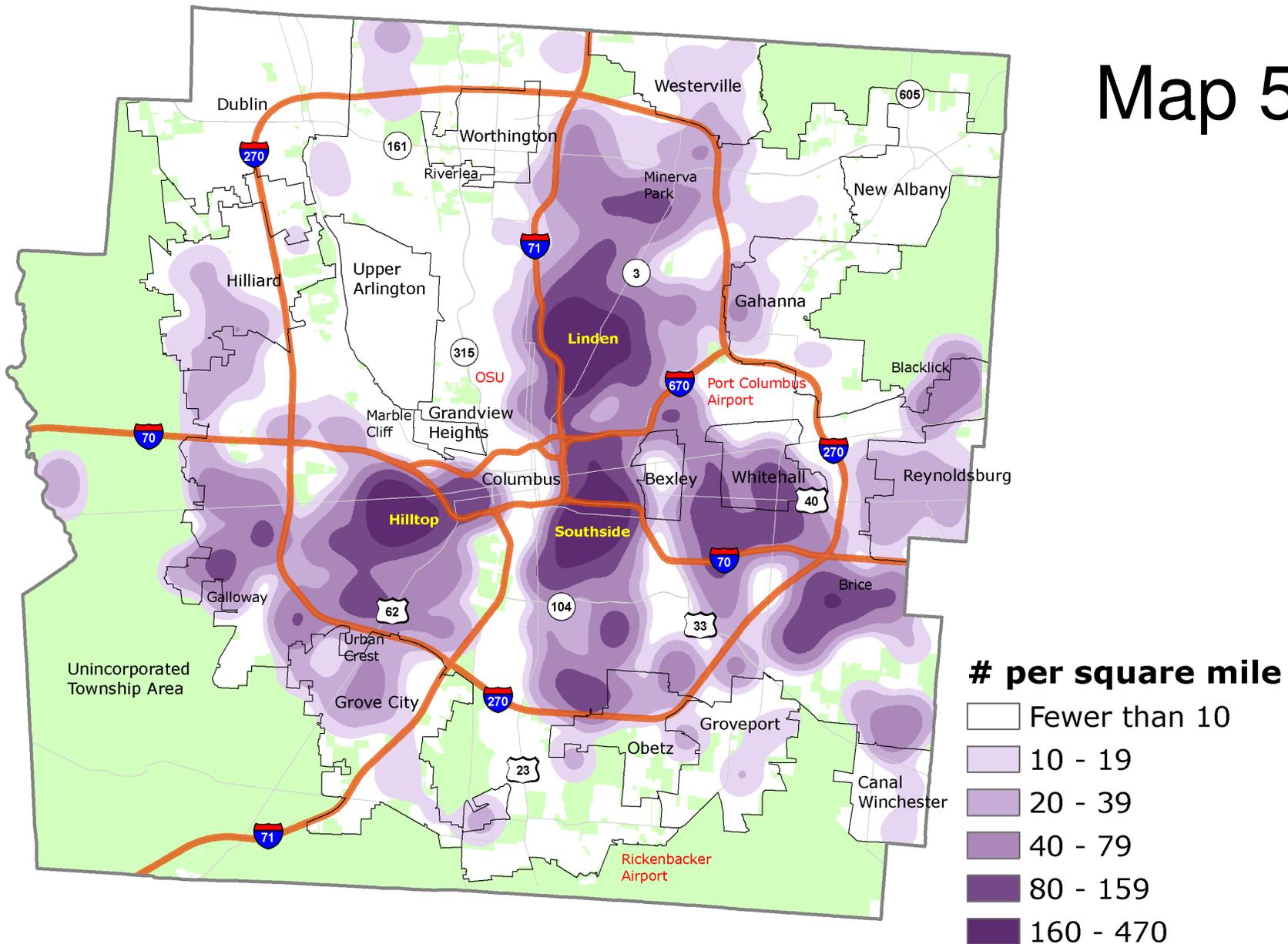
# Density of foreclosure filings, January 2007-March 2008

## Map 4



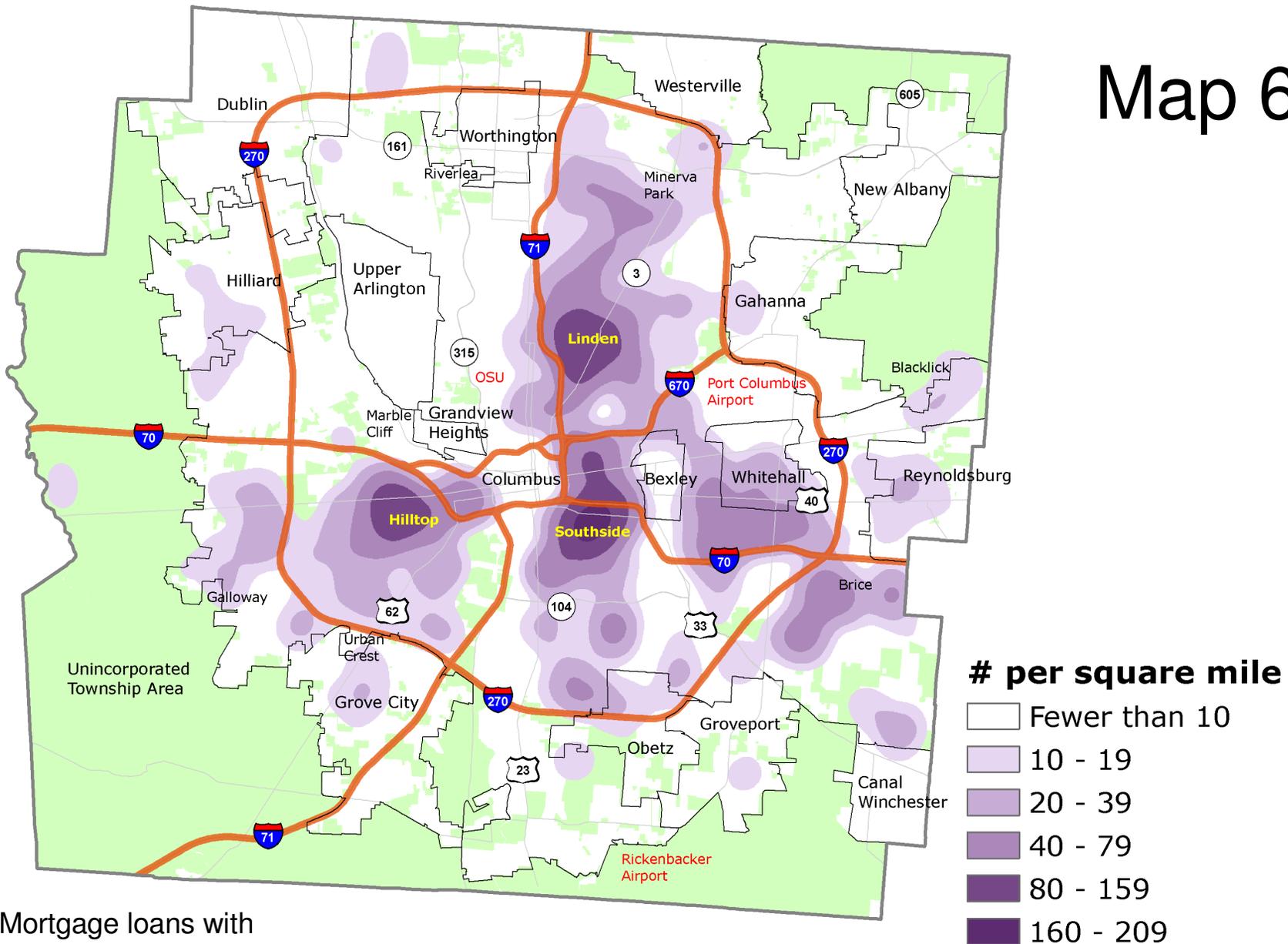
# Density of properties at Sheriff's Sale, Jan 2005-Mar 2008

## Map 5



# Density of properties with high rate mortgage\*, June 2008

## Map 6



\* Mortgage loans with interest rate of 8%+

# Map 7

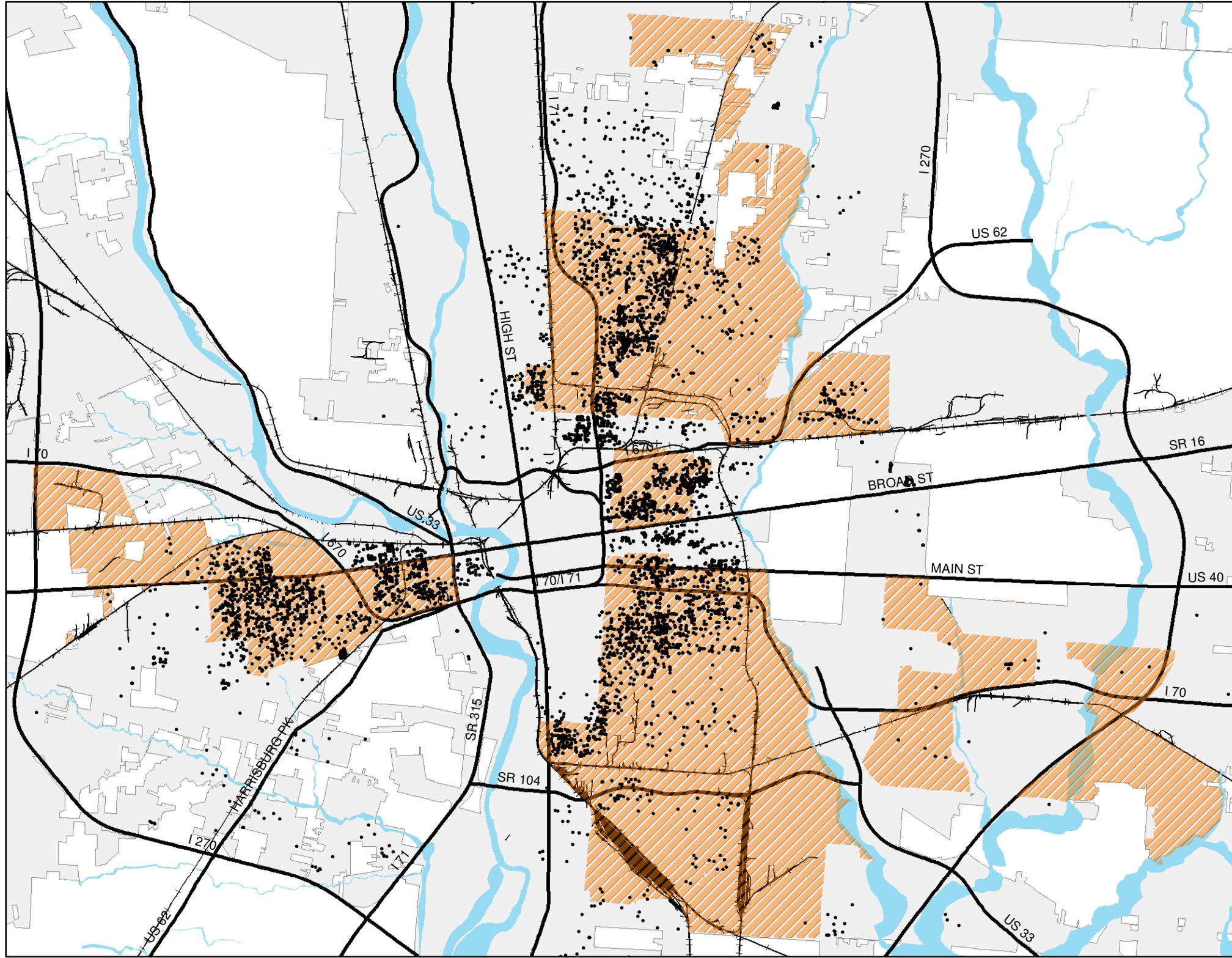
Combination of two HUD Data Sources: Map 1, Estimated Foreclosure and Abandonment Risk, Map 2, Predicted 18m Underlying Foreclosure Rate, and City Vacant Structure Data.

HUD Foreclosure and Abandonment Risk = 10

Predicted 18m foreclosure rate in 75th percentile.

Points represent structures on Vacant Housing List, City of Columbus, Sept., 2008

November, 2008  
By J. Turner



# **The Neighborhood Stabilization Program, Application to the U.S. Department of Housing and Urban Development (HUD)**

## **Summary of Public Comments Exhibit A**

### **Public Consultation**

The City of Columbus, Ohio offered the Proposed Neighborhood Stabilization Program (NSP) Application, City of Columbus 2008 Action Plan Amendment, for public consultation. The regulations associated with the NSP program require that the draft application be placed on the city's website and that a 15 day public comment period occur prior to submission of the application to HUD. The application was placed on the city's website on November 7, 2008 with a public comment period from November 7 to November 22, 2008. In addition, the application was presented at the Health, Housing and Human Services Committee hearing on November 19, 2008, where public testimony was accepted.

### **Comments Received**

The city received written and oral comments from 20 people and organizations. Many comments were provided from leaders of local community development type organizations. Comments have ranged from supporting the NSP plan and application to those who have specific ideas and suggest modifications to the plan. The following is a summary of the comments. The city's response is in italics.

### **Summary of Comments**

(As organized in the NSP application)

#### **Areas of Greatest Need**

Five individuals and organizations discussed neighborhoods where they have an interest and described a wide variety of community development activities that were occurring in those areas. One person supported the city using NSP funds in the Olde Towne East area, and wanted to ensure that historic guidelines would be respected as well as adherence to the existing neighborhood development plans. One person supported the South of Main area as a neighborhood with a high need for investment. One person was in support of using NSP funds in the Weinland Park area, where a variety of development activities are underway. A local realtor argues that the neighborhood near Children's Hospital has a great need for redevelopment and has great potential. One agency urged the city to consider the enormous leverage potential present in Weinland Park and the Near South Side.

*The city application indicates that land banking activities will be limited to areas identified in Map 3 and redevelopment efforts will be limited to areas identified in Map 7. Specific target areas will be identified by the city after additional research on the identified areas including an independent market study to better help staff understand*

*market potential of the most impacted neighborhoods. The city staff is aware that federal regulations require that the city comply with Section 106 of the National Historic Preservation Act and will proceed accordingly.*

### **Distribution of Uses of Funds**

Four people asked that modifications be made to the proposed plan that would encourage more strategic partnerships between city, civic leaders, and members of the local development community; suggest that a portion of the NSP funds be strategically designed to leverage significant private, philanthropic and public investment in distressed neighborhoods with market potential.

One agency stated that it will be important for the city to balance consideration for areas with the greatest concentration of need along with a consideration for areas where the money will have the greatest impact. If a great enough impact is not achieved in a target area, the homes improved with NSP funds will face the same destabilizing influences that led to high foreclosures in the first place. Market capacity should be a consideration in the deployment of NSP funds so that the funds will move a neighborhood in the direction towards market stability.

*Specific target areas will be identified after the city obtains additional market information to better understand market potential of the neighborhoods with greatest need. Until that data is developed, choosing a specific neighborhood based on the assertions of market potential by developers with an interest in that area are speculative. The plan does not discourage private and philanthropic investment in distressed neighborhoods. Thus far, no organization has brought forth binding commitments of funding for this kind of endeavor. Should such commitments be forthcoming, they will be welcome as part of the permanent financing component of our efforts. In the first phase of development, leveraging funds prior to permanent financing will delay our efforts to proceed quickly and work to obligate all funds in the required 18 month period since outside funders will elect to do additional due diligence after city funding is committed. Securing outside funding prior to the need for permanent funding will increase development costs to the extent that any funders require a return on their investment. Providing this financing as permanent financing will be an effective leveraging of funds, can be cost effective to the home buyers and will result in enhanced program income for the NSP program which will enhance results in the program.*

Two comments speak to applying varying market strategies to respond to neighborhoods with divergent market characteristics. References are made to the Columbus and Franklin County Foreclosure Working Group's "Prevention and Recovery Advisory Plan" (October 2008) which provides a strategic framework for balancing geographic need and market opportunities. One agency recommended that the proposed NSP plan explicitly stipulate that the city of Columbus allocate resources to both weak market areas with the highest need, and stronger market areas with the potential to use NSP resources to leverage private capital and development capacity.

*Making a commitment to invest in multiple and diverse market areas reduces the ability of this program to move quickly and have a significant impact on neighborhoods since resources and oversight will be spread thin. Limited resources spread to multiple areas will duplicate much of the existing development strategy in the city's use of HOME funds with community based nonprofits. The approach being advocated by city staff is to concentrate in smaller areas for dramatic impact that will yield more effective neighborhood revitalization results.*

## **Housing Rehabilitation Standards**

One agency supports the city's housing rehabilitation standards, one that integrates green standards, and feels it is a progressive approach to make the advantages of green technology attainable to those who will benefit from it the most. They also state that the city should provide the necessary levels of subsidy to ensure that developers can meet these regulations and requirements.

*The city staff is willing to work with development organizations to determine the necessary level of subsidy to assure that green building standards can be achieved at a reasonable cost.*

Three comments involved quality to cost discussions and program flexibility. One person commented and expressed concern that the rigid application of the housing rehabilitation standards will result in a limited pool of interested and capable contractors and a significant increase in rehabilitation costs. Several people suggested that the city rely upon the existing city rehabilitation standards as the minimum performance standard and express the higher standards (i.e., Enterprise Green Community Standards) as performance goals; in this way the city can balance competing goals of cost efficiency versus quality and ensure that the goal of high-volume housing production is achieved.

*The city has recommended a strategy of working in more difficult neighborhoods with greater needs and committing to revitalization of those neighborhoods. Using green building standards will result in healthy and energy efficient homes. While the development costs are higher, they increase affordability for the residents of those homes. This translates into more cost efficient living and helps make these revitalized neighborhoods destinations of choice for homebuyers who have the financial spending power to choose where to live.*

One commenter stated that the Gut to Studs Program will benefit Columbus neighborhoods because, 1. Buildings will be transferred to developers ready to rehab, saving time and cost, 2. Buildings will be secure and less susceptible to vandalism and targeted theft, and 3. Proactively addressing the condition of sewer lines will allow developers an accurate assessment of property condition and required investment.

*In recent development efforts by the city with HOME funds and Home Again funds, city staff has learned that rehabilitation efforts that are on a limited scale often incur cost overruns due to unexpected discoveries during rehabilitation construction. Frequently,*

*such discoveries are the condition of sewer lines in older neighborhoods. It is based on these lessons learned that the city staff recommends the Gut to Studs approach with camera review of sewer lines so that rehabilitation efforts, once started, can proceed with unexpected developments to the greatest extent possible.*

### **Low Income Targeting**

*No comments*

### **Acquisitions and Relocation**

One respondent encourages the city to consider the recommendations of area developers and nonprofits during the property evaluation process. Including a nonprofit “first look”, will help the city determine the best use of the property and assess which NSP strategy to pursue.

*The city staff anticipates collaboration with local development organizations as the NSP program proceeds.*

One comment was received on the predevelopment process where it was summarized that the proposed plan implies that city staff will be responsible for all aspects of site identification, due diligence, purchase negotiation, acquisition closing, identification of rehab scope, demolition, and restoration of building envelope prior to conveyance to a developer. This agency recommends that the city’s land bank authorize local development partners to prepare and submit development proposals (including assignable site control, appraisal, title work, bid specs, etc.) and assign that work product to the land bank in exchange for contract rights to redevelop the property once the property is released by the land bank for redevelopment. They conclude that this will allow both parties to exercise the management and development skills they have previously demonstrated and would promote cost efficiency by encouraging the eventual redeveloper to control expenses in the purchase and rehabilitation of property.

*The city’s approach to property acquisition was reviewed extensively by staff. Allowing development organizations to assemble sites for their own development, with proper oversight from the city to assure compliance with NSP regulations, is a good approach if each development partner has an area that they work in exclusively and areas do not overlap with other development organizations. However, in a system such as this, it is inevitable that multiple organizations will want to develop in the same area, and allowing each organization to obtain rights to develop on their own, will result in competition between organizations. City staff already has some opportunities to obtain blocks of properties from organizations disposing of them. Funneling all activity through the land bank will prevent increased costs as a result of competition, assure maximum concentration of sites in a proximate area and will enable organizations that seek to work in the same neighborhood to do so without overlapping efforts.*

One person discusses that there is a very large discount on the purchase of foreclosure properties from banks that want to clear these properties from their books, and suggest that the city can get a larger discount than described in the NSP plan.

*The city staff's estimate of acquisition costs is an average. City staff expects to obtain many properties at a far greater discount than that specified in the application. However, since properties that are proximate to one another may be sought to achieve a concentration of effort, flexibility to acquire some sites at a higher cost is being maintained in the application.*

### **Activity #1 – Neighborhood Stabilization Fund**

Four comments supported the Neighborhood Stabilization Fund. One person encouraged the use of for-profit companies, stating that they could actually produce more units than the city and the non-profits. Two comments suggest that this fund should be increased with one comment suggesting that the allocation of funds to this activity be significantly increased from the current \$6.6 million to \$13.7 million, while also recommending that the volume of anticipated housing activity be increased and the projected capital subsidy per unit be reduced (from \$94,000 to \$50,000/unit).

*The plan reflects a balanced approach to permitted activities without putting too much emphasis on any one activity. The allocation of resources reflects the needs of the affected areas of the city and access to other resources for those activities. Once target neighborhood redevelopment areas are selected, the city staff will work with organizations in the area to determine capacity to move forward and will look for strategic partnerships with non profit and for profit development organizations to assure that neighborhood interests and efficient development occur. The projected outcomes in this section reflect initial investment of capital and do not show results from the investment of program income generated from the initial investment. Outcomes are expected to exceed the initial projections with per unit subsidy being less than is initially invested, but cannot be estimated accurately at this time.*

### **Activity #2 – Acquisition and Demolition Fund**

One agency states that the proposed plan's initial goal of acquiring 150 residential properties is not sufficient to respond to the 5,000 foreclosures in Columbus that have occurred over the past nine months.

*The figures in the application are figures resulting from the initial investment of funds and do not reflect the investment of program income generated from the initial investment. In any event, it is not anticipated that the funds awarded under this program will be sufficient to address the 5,000 foreclosures that have occurred in Columbus.*

Five people described the acquisition and demolition fund to be necessary. One agency stated that these acquisition/ demolition goals, while necessary, should be subordinate to the goal of transforming homes into housing opportunities for low- and moderate-income

families. Some respondents in this group stated that the budget for this activity be reduced while also suggesting that the implied purchase price of \$35,000/ unit appears to be excessive.

*Resources for acquisition and demolition are scarce. NSP funds may be used for demolition and by doing so, can position the city land bank with redevelopment opportunities for years to come. Average acquisition costs are projected at \$25,000 per unit for all units acquired - those to be rehabilitated as well as those to be demolished. Average costs for demolition are \$10,000 per unit and include extensive work including removal of foundations and basements as well as proper backfill and grading. The end result will be a consistent inventory of quality buildable lots which will reduce redevelopment costs going forward and facilitate expeditious development.*

### **Activity #3 – 50% AMI Fund**

One agency stated that the budgeted subsidy per unit in this program is less than the proposed Neighborhood Stabilization Fund, which is counterintuitive and that the reasons are unclear (is there an assumption of external subsidy?). They suggest that the plan's program description should be clearer.

*As described in the application, it is hoped that rental projects will be leveraged to the greatest extent possible with low income housing tax credits. It is indicated that homeownership projects for this very low income population must be leveraged with additional subsidy such as other development funding and low interest mortgages provided by Habitat for Humanity of Greater Columbus. With the lower income population served in this category and the leveraging of funds, program income is not anticipated in this activity. As such, the subsidies advocated are one time expenditures while the funds expended in the Neighborhood Stabilization Fund are expected to be returned to the city as program income upon sale of the homes and be used again at a reduced rate to fund additional development activities.*

One community development organization advocates that the city dedicate a significant percentage of the NSP funds to homeownership for the under 50% AMI wage earner family. Another respondent asked why aren't there more units being allocated to the 50% below AMI activity.

*HUD regulations require that 25% of the NSP grant be used for the development of housing units that are provided to households that are below 50% of area median income. The city may provide more than 25% of the funds for this purpose, but for purposes of the HUD application, the city simply wants to meet the regulatory requirement, therefore providing greater flexibility in the funding of NSP housing projects.*

### **Activity #4 - Administration**

*No comments*

## Other Comments

Three comments recommended that the city establish a set-aside of NSP funding for a Neighborhood Innovation Fund that would be specifically designed to respond to special circumstances that employ the NSP as an organizing element for a much more comprehensive revitalization strategy for one or more Columbus neighborhoods; the city should establish high performance standards for this limited resource, including the leverage of significant private and philanthropic capital to match NSP resources, resulting in a projected return to market stability.

*The city staff will inventory community assets, partners and resources as part of its evaluation process and neighborhood selection. After doing so, consideration may be given to selection of a neighborhood for which additional resources can be accessed. At this time, no organization has brought forward any firm commitments of resources for such an effort.*

Two people stated that workforce development programs were needed. One respondent stated that they were supportive of the NSP application as long as Section 3 guidelines were enforced and that all NSP contractors and developers have a plan in place to assist the disadvantaged community either through employment or training. Another person urged the city to invest in resources (funding for business and technical education and training), that will assist in building a diverse cadre of viable contractors and businesses, with the capacity to successfully perform on residential and commercial projects.

*All projects over \$200,000 will be required, to the greatest extent feasible, to provide job-training, employment and contracting opportunities for low- and very low-income residents in connection with projects and activities in their neighborhoods. Also, they will adhere to Section 3 reporting requirements. The city currently utilizes both general fund and Community Development Block Grant (CDBG) funding to fund a variety of workforce development programs. Workforce development training is not an allowable use of NSP grant funds.*

One respondent requested that city council set up a sound mechanism of oversight for the use of the NSP dollars.

*The city recognizes that this activity has a higher audit risk, due to the fact that HUD is requiring communities to fund all activities within 18 months. The city of Columbus will utilize the CDBG internal monitoring functions to mitigate any potential risks.*

Three agencies stated their commitment and support of the local Community Development Corporations (CDCs) and the impact that they have on neighborhoods. One agency stated that they are in support of the application in that it capitalizes the existing social infrastructure and increases the capacity of Community Development Corporations and other non-profits to prevent and address neighborhood decline due to foreclosures.

One agency stated that by partnering with the local CDC, other services and partners could be more quickly and easily brought to the table to support the NSP strategies.

*The use of our non-profit partners will be a critical element to the implementation of the NSP grant. City staff will work with local development organizations to assess capacity to do the needed development work and address neighborhood issues. Opportunities for strategic partnerships with non profit and for profit development organizations to assure optimum outcomes will be sought.*